

Instructional Plans for
Teachers of Vocational
Agriculture

Wheat Series
Unit Number 3

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Adjustment Administration
Division of Information

and

UNITED STATES DEPARTMENT OF THE INTERIOR
Office of Education, Division of Vocational Education
Agricultural Education Service
Cooperating

UNIT NUMBER 3

Plans for aiding farmers to understand the significance of the relationship between prices received by farmers for farm products and prices paid by farmers for commodities used in living and production. Also, plans for aiding farmers to understand the graphical presentation of data.

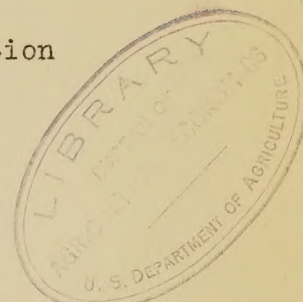
INSTRUCTIONAL OBJECTIVE

To develop an understanding of the significance of the relationship between prices received by farmers for farm products and prices paid by farmers for commodities used in living and production.

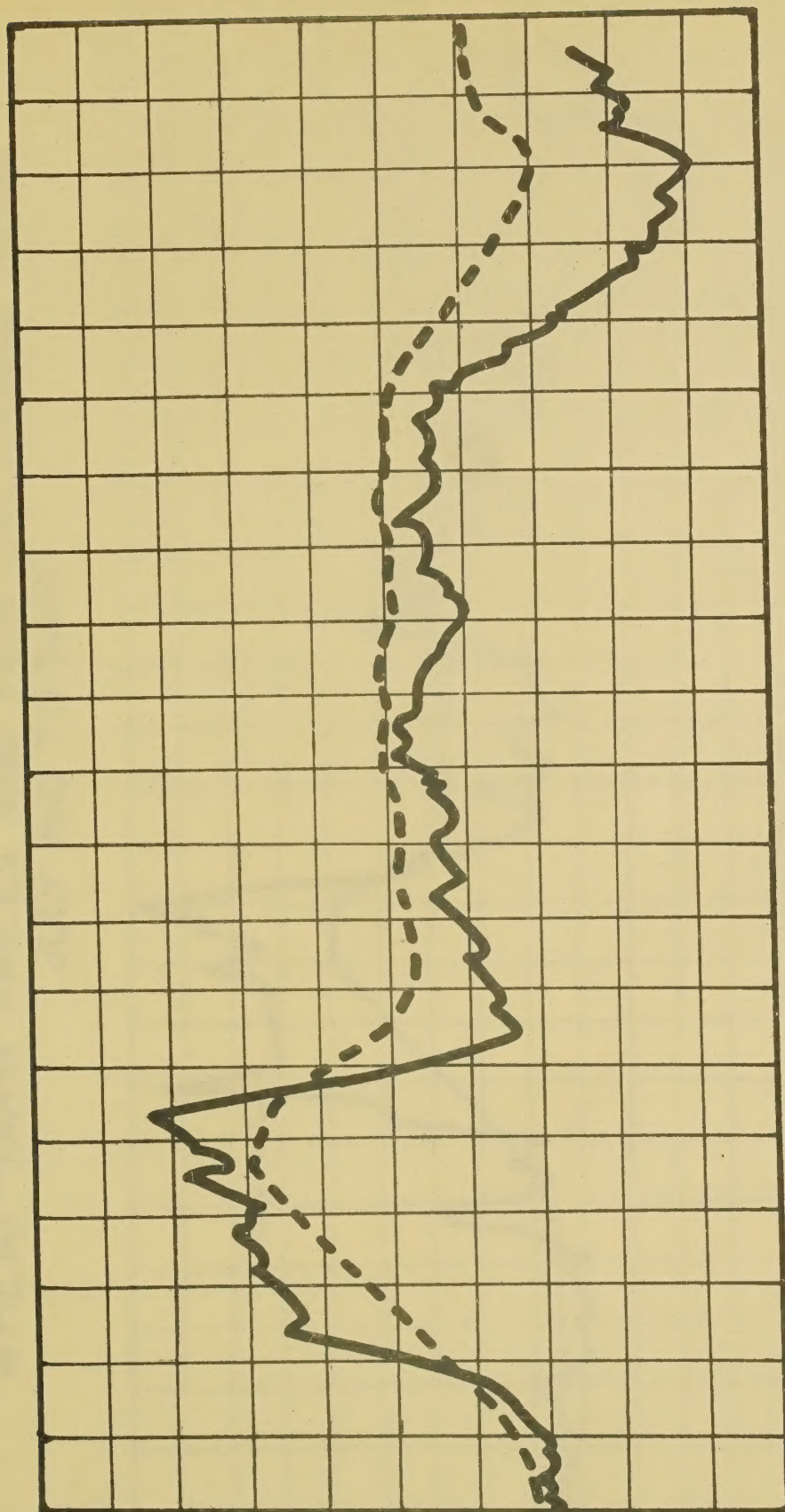
Note: In attaining the above objective, the teacher should also have in mind another objective that pertains to developing the ability of farmers to read and interpret materials presented in a graphical manner. It may be expected that the literature prepared for the use of farmers will contain such material with increasing frequency, and consequently the objective just stated seems important.

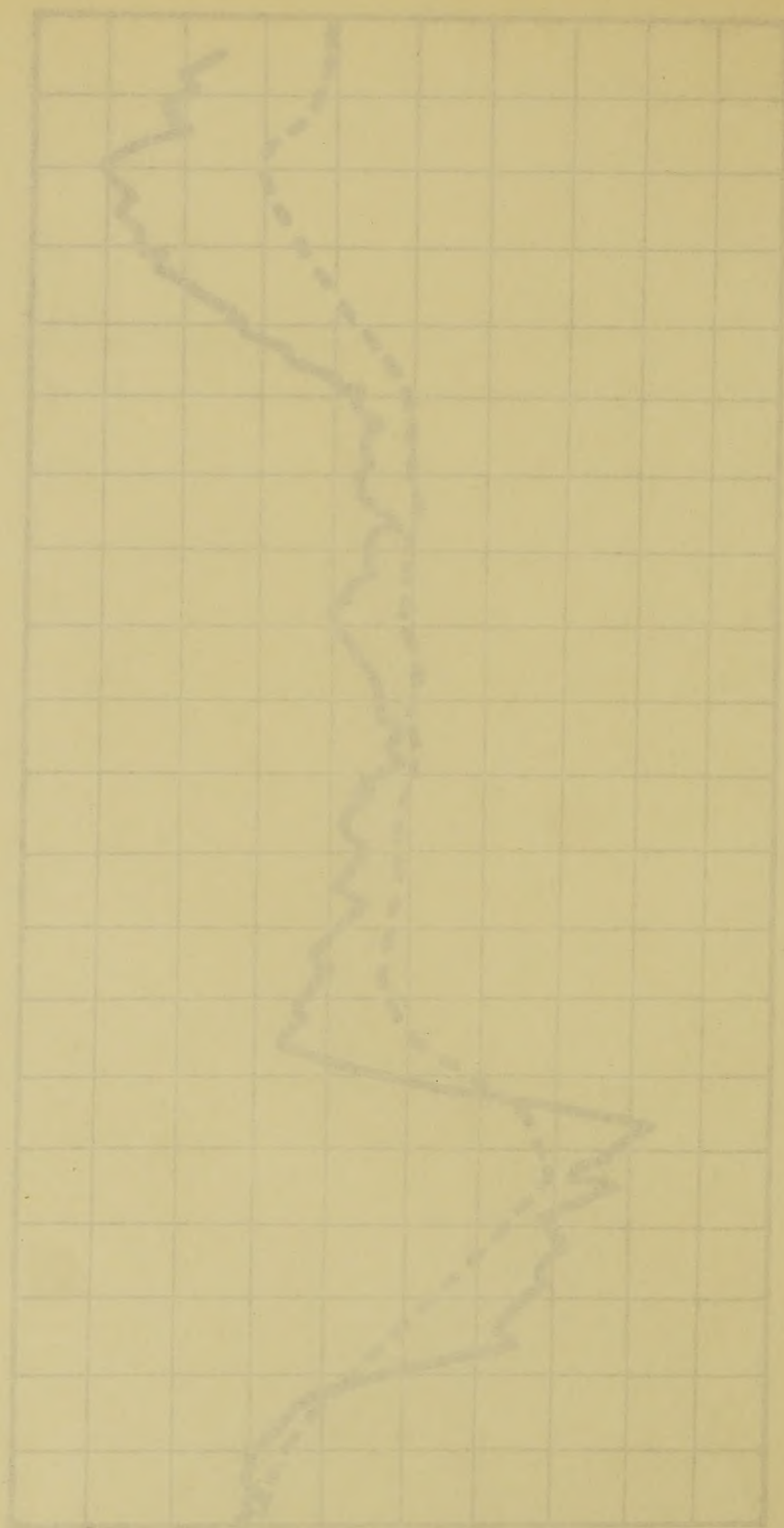
MATERIALS AND SOURCES

I. The chart which constitutes the next page of this unit. This chart is similar to the first chart listed below except for certain details which have been omitted. This chart is to be used in the manner described



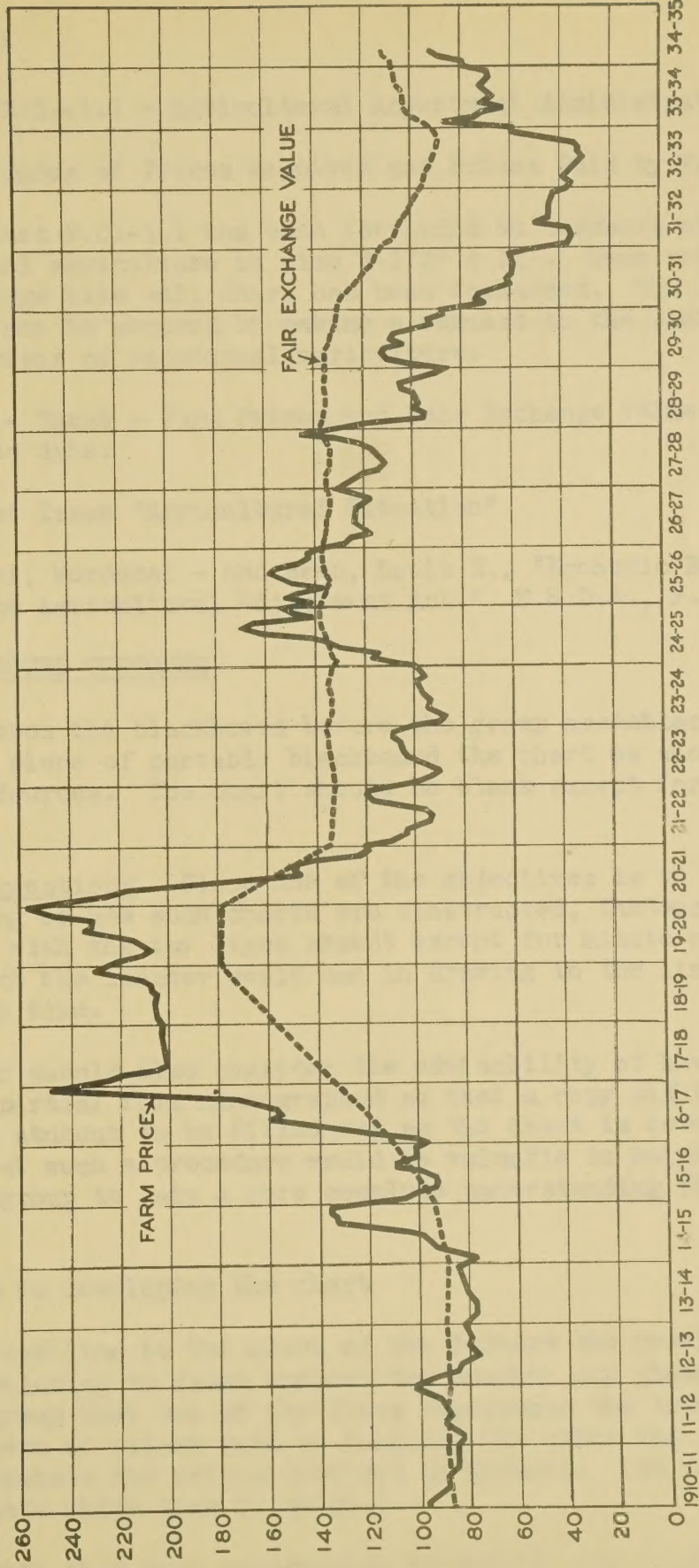
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WHEAT - FARM PRICES AND FAIR EXCHANGE VALUE JULY 1910 TO DATE

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in the "Procedure."

II. Chart R.C.-1.1 - Agricultural Adjustment Administration

Index of Prices Received and Prices Paid by Farmers

The Chart R.C.-1.1 has been forwarded to teachers of vocational agriculture in size 8-1/2" x 11". Upon request the large size wall chart has been forwarded. The large chart may be secured by making a request to the state supervisor of vocational agriculture.

III. Chart - Wheat - Farm Prices and Fair Exchange Value July 1910 to date.

IV. Current Issue "Agricultural Situation"

V. Ezekiel, Mordecai - and Bean, Louis H., "Economic Bases for the Agricultural Adjustment Act." U.S.D.A., P. 30

PROCEDURE AND EXPECTED OUTCOMES

I. Place upon the blackboard before the group assembles, or have ready upon a piece of portable blackboard the chart as shown under 1, Materials and Sources. The chart should be blank except for the two lines as shown.

Further suggestions. Since one of the objectives is to develop an understanding of how such charts are constructed, the teacher might present the chart with the two lines absent except for minute almost invisible marks which the teacher could use in drawing in the lines quickly at the appropriate time.

The teacher should also consider the advisability of having the chart in its partial form mimeographed so that a copy might be given to each farmer or student to be filled out as the chart is developed. It may be assumed that such a procedure would be valuable in helping the individuals in the group to gain a more complete understanding of the chart presentation.

II. Steps in developing the chart

1. Recalling to the minds of the farmers the previous work relating to index numbers the teacher may state to the group that one of the lines represents the index numbers of prices paid by farmers, the other the index numbers for prices received by farmers. (Do not indicate which line is which.)
2. With this much information presented, the teacher may well write the title of the chart upon the blackboard.

3. Question: In this chart, where do the lines for prices received and paid stay close together for a period of time?

Farmers may point out the places - at the center and left side of the chart.

Refer to the work on index numbers, and inquire as to what the term "base period" meant. The thought should again be brought out that during that period there was a close relationship between prices received and paid. Bring out further the date (already referred to) of the base period and that the base period had a value of 100.

4. With the date of the base period and its value in mind, the teacher should proceed to establish these two points of reference upon the chart, just as they are found upon the complete chart. It is possible that some of the farmers may be able to point out where to place the figure 100 and the year 1915.
5. With these two points of reference fill in the index number values of the horizontal lines above and below 100, and write in the dates by years from 1915 to date.
6. At this point ask the farmers which line represents the index of prices paid by farmers and the index of prices received. Label the lines.
7. Before proceeding to an interpretation of the chart, guide the group in securing information from the chart in order to be sure that the chart is understood. Ask such questions as the following:

Test of determining time and level of prices

QUESTION - At what time did the prices received by farmers reach the highest point?

ANSWER - From the chart - About April, 1920

Test of determining price level

QUESTION - What was the index of prices paid by farmers in January, 1930?

Test of Determining time

QUESTION - At what date after the war period did prices received by farmers return to the base level of 100?

ANSWER - About October, 1930, according to the chart.

8. As a further means of making the chart clear, place upon the blackboard the index numbers of farm prices and prices paid by farmers. See No. 5, Materials and Sources. These figures may be found in a table headed "General Trend of Prices and Purchasing Power."

By referring to the index numbers for the years 1910-14 a clearer concept of the base period may be presented.

It will be of great interest to the farmers to see how the chart can be brought up to date by using the figures from this table. Plot the points on the chart for the latest dates, and extend the lines.

9. Interpretation of the chart:

- A. Ask the farmers to point out the period in which the farmer had an advantage, and the period in which he was at a disadvantage. Label these areas.

10. Clarification of terms

While working with this chart make clear the meaning of such terms as the following:

DISPARITY - Difference between prices received and prices paid.

PARITY PRICE - The average price during the base period - August 1909 - July 1914.

FAIR EXCHANGE VALUE - Parity price of farm products \times index of prices paid by farmers - divided by 100, the base period index of prices paid.

$$\frac{\text{Parity Price} \times \text{Index of Prices Paid by Farmers}}{100, \text{ the base period index of prices paid}}$$

Note: Some confusion may develop in connection with the use of terms. The parity price listed in "The Agricultural Situation" in the printed table "Prices of Farm Products" is the same as the Fair Exchange Value as determined above.

If "Parity Price" and "Fair Exchange Value" are construed to mean the same, then the means of obtaining these values is as follows:

$$\frac{\text{Average price of commodity during base period 1909-14} \times \text{Index of Present Prices Paid by Farmers}}{100, \text{ the base period index of prices paid}} = \text{Parity Price}$$

III. Guide the farmers in examining the chart for the following trends:

Examine the periods in which farm prices rose rapidly or at a fairly rapid rate. What was the relationship to prices paid?

Examine the periods in which farm prices fell rapidly or at a rather rapid rate. What was the relationship to prices paid?

Guide the farmers in arriving at the following economic principle:

In periods of rapidly rising prices the prices of farm products tend to rise more rapidly and go higher than do prices paid by farmers.

In periods of falling prices, prices received by farmers tend to fall more rapidly and go lower than prices paid by farmers.

The above principle may be illustrated several times in the chart. In the after-war period the lines do not cross, but by examining the trends in price changes carefully it will be noticeable that the principle is in operation.

Why do prices received and paid by farmers vary in this manner?

The answer largely involves the following:

A large proportion of expenditures made by farmers is for manufactured goods. In the cost of manufactured goods, a large proportion is made up of wages, salaries and rents. Such items do not change rapidly in periods of rising or falling prices.

The tariff and curtailed production also must be considered as factors in keeping the price of commodities purchased at a relatively high level during the past few years.

The teacher should refer to "The Economic Bases for the Agricultural Adjustment Act" Page 30, see No. 6, Materials and Sources for a more complete presentation of these factors.

IV. Objective of the Agricultural Adjustment Administration:

While working with this chart, the teacher may well bring out the fact that one of the chief objectives of the AAA is to help close the gap between prices paid and prices received by farmers.

Note to teacher: If farmers are rather well informed on how to read and interpret graphs and charts, the previous exercise should be moved at a rapid rate. The teacher should watch very closely the progress of his students and be sure that most of the students have a clear understanding of what is being presented. A well developed understanding upon the part of students at this point will aid materially in the work that is to follow.

V. After completing the development of the chart, show the group the chart in its complete form as made available by the government. See Materials and Sources, No. 2. On account of the previous work the meaning of this chart should be clear to the farmers.

Present to the group the chart, Wheat - Farm Prices and Fair Exchange Value, July 1910 to date.

VI. What has been the trend of prices for wheat during the past few years?

Introduce this question to make the connection to the next unit which deals with the trend of prices. The purpose is to make clear the trend of prices and then proceed to an analysis of the factors causing the price trends.

